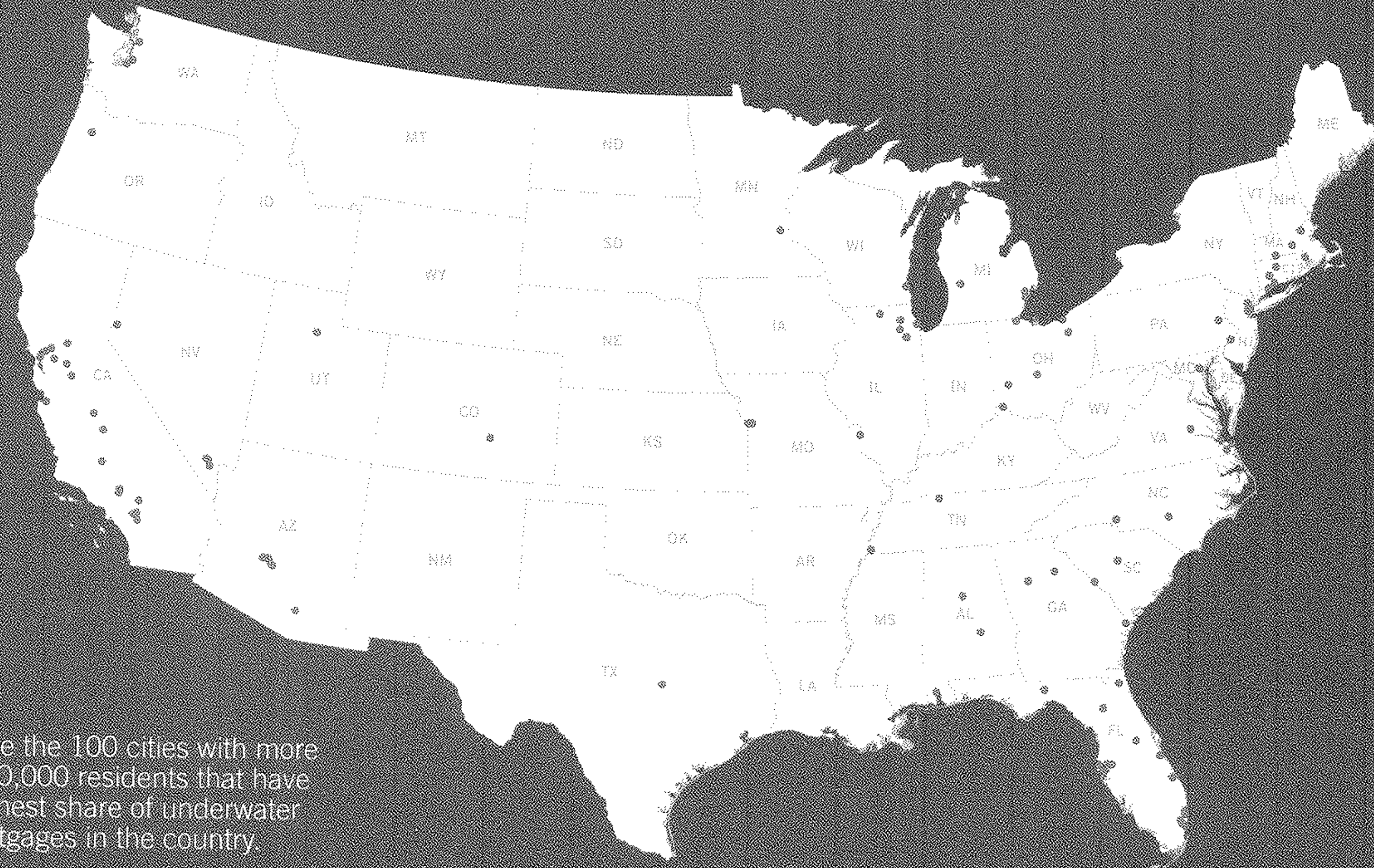
100 HARDEST-HIT CITIES



These are the 100 cities with more than 100,000 residents that have the highest share of underwater mortgages in the country.

What also distinguishes the 100 hardest-hit cities is that almost all of them have African American and Latino populations that are significantly higher than their representation in the nation as a whole or in their metropolitan areas. As FIGURE 2 shows, in 14 of the 100 hardest-hit cities, African Americans and Latinos comprise more than 75 percent of population. In another 38 cities, these two groups comprise between 50 percent and 75 percent of the city populations. In another 19 cities, they make up between 40 percent and 50 percent of city populations. In other words, in 71 of the 100 hardest-hit cities, African Americans and Latinos account for at least 40 percent of the residents. This is not surprising because—as noted earlier—banks and mortgage brokers targeted African American and Latino neighborhoods, homebuyers, and mortgage consumers with predatory and subprime mortgages.

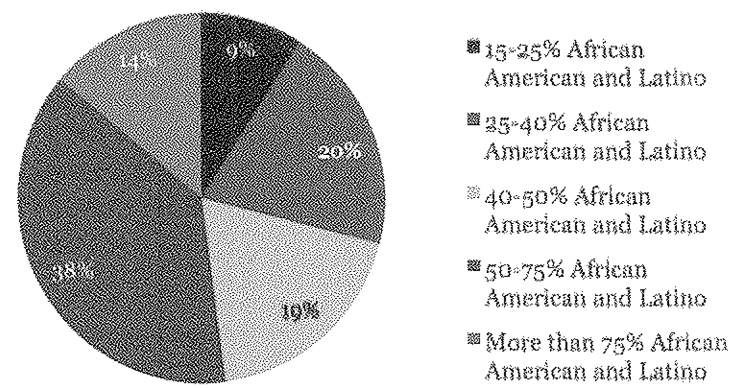
Even in those hard-hit cities with the highest median household incomes, African Americans and Latinos comprise a significant proportion of the city population. In Chesapeake, VA, with a median household income of $70,244, African Americans and Latinos account for 36 percent of residents. In Fairfield, CA ($66,363), these two groups comprise 44 percent of the population. In Henderson, NV, a suburb of Las Vegas with a median household income of $66,141, they constitute 21 percent of residents. In Antioch, CA ($65,494), 53 percent of residents are African American and Latino. In Fontana, CA ($64,195), 78 percent of residents fit that description. African Americans and Latinos account for 84 percent of the population of Miramar, Florida, whose median household income of $63,898 is substantially higher than the national figure.

HARDEST-HIT ZIP CODES

Within every city, however, some neighborhoods are worse than others and many have been particularly hard-hit by the housing crash and not lifted up by the broader recent trend of rising home prices. These communities were the most devastated victims of Wall Street's predatory and subprime lending practices. They are now among the worst hot spots in terms of the proportion of families who are underwater and unlikely to survive without assistance.

Figure 2

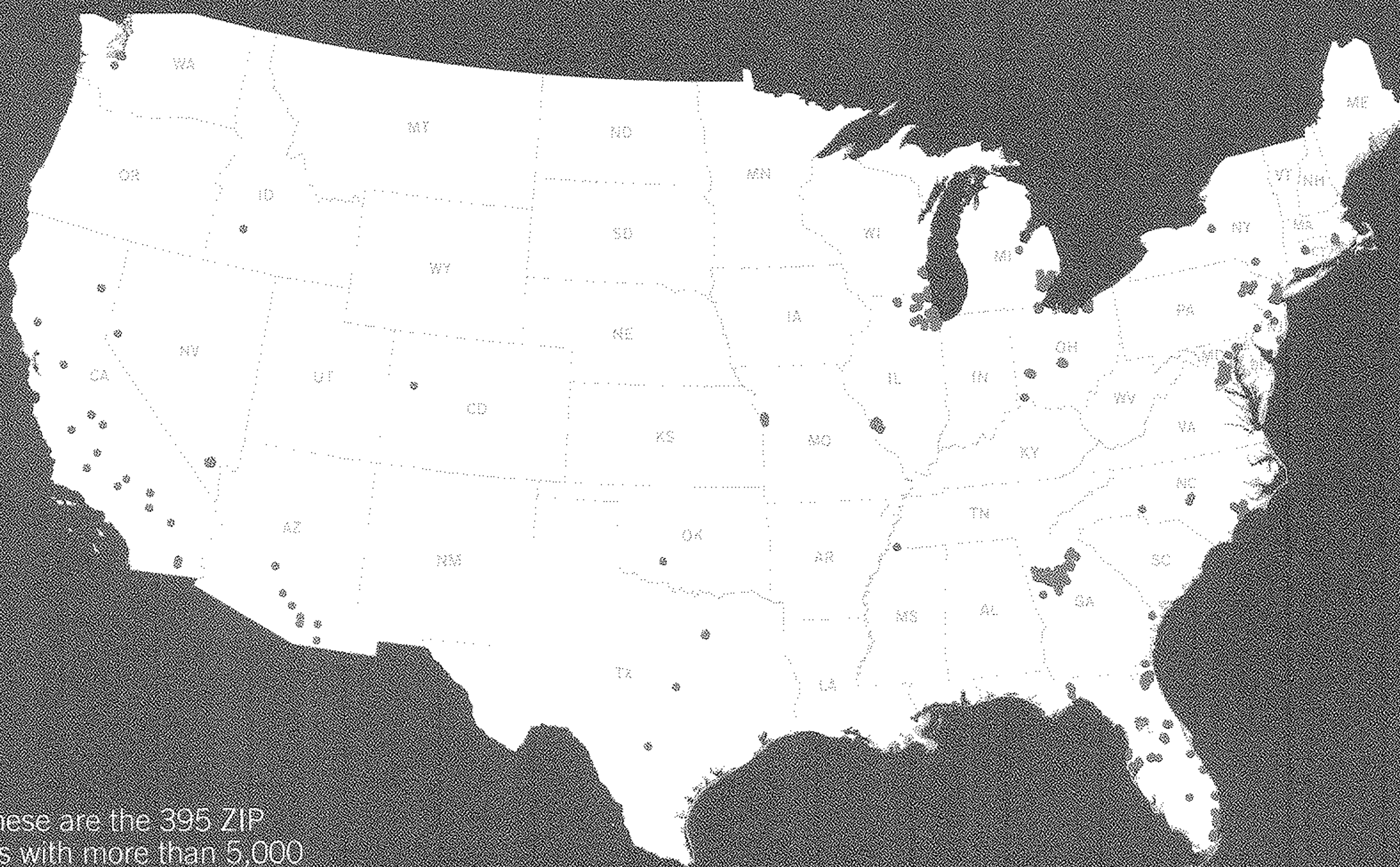
Percentage of African Americans and Latinos in the 100 Hardest-Hit Cities



To identify the hardest-hit neighborhoods, we examined the 500 ZIP codes with the highest percentage of homes with negative equity. There are 29,762 general ZIP codes in the entire country. ZIP codes vary in size from a handful of residents to more than 100,000 residents. The average population size is roughly 7,500. To remove ZIP codes that are in primarily commercial areas, we eliminated the ZIP codes with fewer than 5,000 residents. That left 395 residential ZIP codes with the highest percentage of homes with negative equity. These 395 ZIP codes are home to more than 10.4 million people.

In the 395 hardest-hit ZIP codes, between 43 percent and 76 percent of

395 HARDEST-HIT ZIP CODES



These are the 395 ZIP codes with more than 5,000 residents that have the highest share of underwater mortgages in the country

homeowners have negative equity. Home prices in these 395 ZIP codes remain up to 66 percent below their peak levels. Among these 395 ZIP codes, the median decline of home prices is 41 percent. There nearly 113,000 homes in just these 395 ZIP codes that went into default or foreclosure in 2013. Appendix C contains the full list of the 395 hardest-hit ZIP codes.

The median household incomes of the 395 hardest-hit ZIP codes range from $9,895 (ZIP code 43604 in Toledo, OH) to $118,622 (ZIP code 20607 in Accokeek, Maryland near Washington, DC), but the vast majority of hardest-hit ZIP codes have median household incomes significantly below the national figure of $51,371. As FIGURE 3 shows, 32 (8 percent) of the 395 ZIP codes had median household incomes below $25,000. Another 137 (35 percent) ZIP codes had median household incomes between $25,000 and $40,000. Another 111 (28 percent) ZIP codes had median household incomes between $40,000 and $50,000.[4] In total, 71 percent of the hardest-hit ZIP codes had median household incomes below $50,000.

Again, not surprisingly, what distinguishes the 395 hardest-hit ZIP codes is that almost all of them have African American and Latino populations significantly higher than their representation in the nation as a whole or in their metropolitan areas. They represent an even higher proportion of residents than that in the hardest-hit 100 cities.

As FIGURE 4 shows, in 146 of the 395 hardest-hit ZIP codes, African Americans and Latinos comprise more than 75 percent of the population. In another 107 ZIP codes, these two groups comprise between 50 percent and 75 percent of the populations. In other words, in almost two-thirds (64 percent) of the 395 hardest-hit ZIP codes, African Americans and Latinos account for at least half of the residents. Once again we see the severe consequences of the banking industry's predatory practices of targeting African American and Latino neighborhoods,

4 We could not identify the median household incomes for two of the ZIP codes.

Figure 3

Median Household Income in the 395 Hardest-Hit ZIP Codes

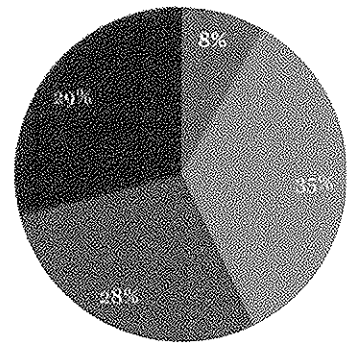


Figure 4

Percentage of African Americans and Latinos in the 395 Hardest-Hit ZIP Codes

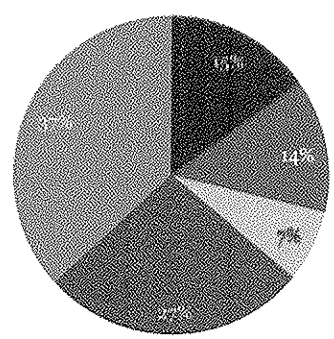
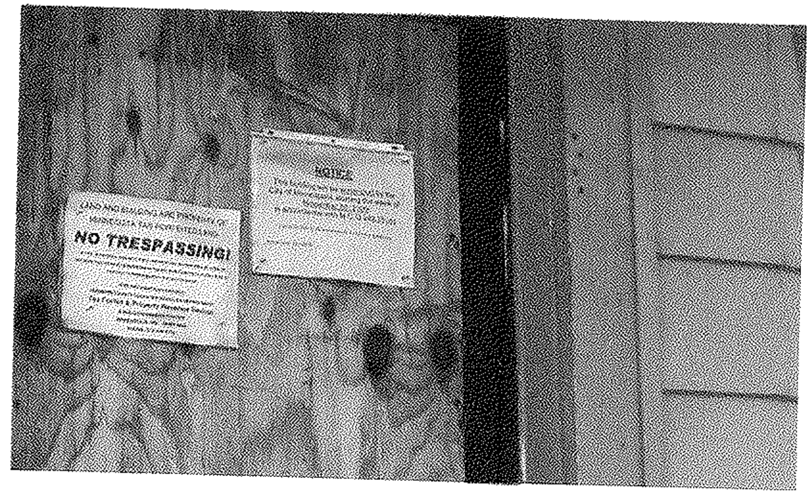


Table 6

States with Large Numbers of Hardest-Hit ZIP Codes

Georgia	61
Florida	55
Illinois	47
Michigan	38
Ohio	33
New Jersey	32
Maryland	24
Missouri	21
California	17
Nevada	10
North Carolina	10



homebuyers, and mortgage consumers.

The 395 hardest-hit ZIP codes are found in 23 states. They are not all located in central cities. Quite a few are found in suburbs and in small towns in rural areas. TABLE 6 shows the states with particularly high numbers of hardest-hit ZIP codes.

These 395 hardest-hit ZIP codes, however, are just the tip of the iceberg. There are thousands of neighborhoods in hundreds of cities that have been devastated by the housing crash and have no prospects of significant improvement. It is in these neighborhoods that the epidemic of foreclosures and the tide of underwater mortgages have had the worst impact. These are just some of the nation's hot spots that continue to suffer in the wake of the recession and ongoing housing problems in the U.S. These findings reveal that these crises are hardly over. Market forces and federal initiatives are clearly not solving the problems. Local actors are understandably trying to address what the federal government and other forces have been unable to resolve. The findings, unfortunately, demonstrate why such local actions are necessary.

RECOMMENDATIONS

THE FEDERAL GOVERNMENT HAS LAUNCHED several programs in efforts to ameliorate the foreclosure and delinquency rates and the costs associated with the bursting of the housing bubble. They include an alphabet soup of anti-foreclosure efforts and Federal Reserve lending programs.[5] The Justice Department and other federal and state law enforcement agencies have also settled several cases totaling billions of dollars, most notably a $13 billion settlement with JPMorgan Chase. One projection estimates that the total cost of these settlements will exceed $50 billion (Silver-Greenberg and Eavis 2014).

But these efforts have been woefully insufficient, and with widespread reports of a housing recovery, there is a real danger that the political will to take steps to fix the housing crisis will quickly dissipate. However, the crisis is far from over in the areas that have been hit the hardest.

Consequently several local communities have started to take matters into their own hands. In a growing number of cities, local officials and community residents are considering using the tool of eminent domain to purchase, at fair market value, mortgages on selected underwater homes and refinancing those loans to current market value for existing occupants so that more families can stay in their homes (Hockett 2013; Dewan 2014).

These efforts are understandable given the continued hardships faced by millions of families and the communities in which they reside. As the Joint Center for Housing Studies recently observed,

> *[T]he foreclosure crisis has exacerbated the distress in many low-income neighborhoods, spreading blight and straining the ability of local governments to invest in those areas. Indeed, governments at all levels face difficult choices between bringing budgets into balance in response to short-term economic woes and addressing longer-term structural challenges. In making these choices, however, policymakers cannot lose sight of the important role that housing plays in ensuring the health and well-being of a nation's households and communities. (Joint Center for Housing Studies 2013: 6).*

We need bold action to ensure that any recovery does not leave behind the communities living in these hot spots. There are steps that local communities, in conjunction with public and private financial service organizations and government regulators, could take to more effectively address the crisis and ensure an equitable recovery for all homeowners. We need bold action to ensure that any recovery does not leave behind the communities living in these hot spots. There are steps that local communities, in conjunction with public and private financial service organizations and government regulators, could take to more effectively address the crisis and ensure an equitable recovery for all homeowners. Here are some key steps that should be taken immediately to address the crisis and ensure and equitable recovery for all homeowners:

1. Loan holders--banks, government sponsored enterprises (i.e., Fannie Mae and Freddie Mac, which are regulated by the Federal Housing Finance Agency, FHFA), and investors--should reduce the principal on underwater mortgages to current market values.
2. If loan holders are unwilling or unable to reduce the principal on underwater mortgages to current market values, they

5 These include Home Affordable Modification Program (HAMP), Home Affordable Refinance Program (HARP), Home Affordable Unemployment Program (HAUP), Hardest Hit Funds (HHF), Term Auction Facility (TAF), Term Asset-Backed Securities Loan Facility (TALF), Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility (AMLF), Commercial Paper Funding Facility (CPFF), and the Primary Dealer Credit Facility (PDCF), among others.

should allow these loans to be purchased by publicly-owned or nonprofit entities that are willing to restructure them with fair and affordable terms.

3. Local municipalities should use all options at their disposal to facilitate the goal of resetting mortgages to current market values, including the use of "reverse eminent domain" (the program proposed in Richmond, California and elsewhere) to acquire mortgages in order to restructure them with fair and affordable terms.

4. Banks, government sponsored enterprises like Fannie Mae and Freddie Mac, and investors that own vacant homes that have already been foreclosed upon should sell them to publicly-owned or nonprofit entities that can convert them to affordable housing units for residents of the community instead of selling them to speculators.

5. Local municipalities should use all options at their disposal to facilitate the goal of turning vacant, foreclosed homes into affordable housing. This includes the use of "reverse eminent domain" to acquire properties in order to convert them to affordable housing units for residents of the community and to prevent them from being purchased by speculators.

The financial challenges that millions of families continue to face in the wake of the foreclosure crisis will not fade with rising prices in the nation's housing markets. These problems persist particularly, but not only, in low-income and minority communities throughout all regions of the U.S. Predictions are difficult. The future depends largely on those policy decisions that are made, and sometimes not made. But there are steps that communities can take, preferably in partnership with private and nonprofit organizations and government agencies at all levels, to ameliorate these costs.

Appendix A

15 Metro Areas with the Highest Incidence of Negative Equity (see Data Source Notes on p. 37)

Rank	Metro Area	Percent of Homes Underwater	Percent Below Peak Home Prices	Population	Percent African American and Latino	Median Household Income
1	Las Vegas, NV	35%	45%	2,000,000	41%	$54,218
2	Atlanta, GA	35%	22%	5,300,000	44%	$57,470
3	Jacksonville, FL	34%	31%	1,300,000	30%	$52,881
4	Orlando, FL	30%	42%	2,100,000	43%	$49,263
5	Chicago, IL-IN-WI	30%	27%	9,500,000	39%	$61,367
6	Tampa, FL	29%	38%	2,800,000	29%	$46,606
7	Detroit, MI	28%	33%	4,300,000	28%	$51,903
8	Miami, FL	27%	41%	5,600,000	63%	$48,582
9	Memphis, TN-MS-AR	27%	10%	1,300,000	51%	$47,477
10	Virginia Beach, VA-NC	25%	15%	1,700,000	38%	$59,293
11	Riverside, CA	24%	36%	4,200,000	56%	$55,928
12	Kansas City, MO-KS	24%	11%	2,000,000	22%	$56,826
13	St. Louis, MO-IL	24%	16%	2,800,000	22%	$54,109
14	Cleveland, OH	24%	19%	2,100,000	26%	$48,952
15	Milwaukee, WI	23%	12%	1,600,000	27%	$53,966

100 Cities with the Highest Incidence of Negative Equity (see Data Source Notes on p. 37)

Rank	City	State	Percent Of Homes Undewater	Percent Below Peak Home Prices	Homes In Default or Foreclosure 2013	Population	Percent African American and Latino	Median Household Income
1	Hartford	CT	56%	35%	723	124,879	83%	$28,931
2	Newark	NJ	54%	N/A	1,346	276,478	89%	$34,387
3	Elizabeth	NJ	52%	49%	567	124,795	81%	$43,590
4	Paterson	NJ	49%	40%	858	145,655	92%	$33,583
5	Detroit	MI	47%	57%	4,830	721,459	90%	$26,955
6	Warren	MI	44%	45%	927	134,550	16%	$44,982
7	Dayton	OH	43%	32%	3,399	142,670	46%	$28,595
8	Miami Gardens	FL	43%	51%	726	107,884	100%	$42,742
9	North Las Vegas	NV	43%	49%	2,648	215,762	61%	$55,466
10	Bridgeport	CT	42%	39%	1,571	144,446	75%	$39,822
11	Cleveland	OH	41%	38%	8,060	397,972	64%	$26,556
12	Palm Bay	FL	41%	52%	2,300	102,814	34%	$44,470
13	Joliet	IL	40%	29%	1,816	147,098	44%	$61,948
14	Toledo	OH	40%	34%	3,199	287,487	37%	$33,374
15	Jacksonville	FL	40%	36%	13,982	823,652	40%	$48,143
16	Milwaukee	WI	40%	32%	4,998	594,328	59%	$35,823
17	Killeen	TX	40%	18%	697	127,996	61%	$44,799
18	Victorville	CA	40%	52%	1,005	115,069	66%	$52,165
19	Elgin	IL	39%	39%	1,646	109,513	53%	$58,487
20	Waterbury	CT	39%	32%	1,190	110,074	55%	$40,867
21	Aurora	IL	38%	33%	2,355	196,569	53%	$62,589
22	Rockford	IL	36%	33%	2,206	152,948	39%	$38,157
23	Hampton	VA	36%	17%	694	137,471	57%	$51,584
24	Providence	RI	36%	40%	890	178,185	57%	$38,243
25	Vallejo	CA	36%	53%	792	116,417	47%	$60,764
26	Atlanta	GA	36%	27%	5,439	425,931	60%	$46,146
27	Las Vegas	NV	35%	46%	14,399	587,699	44%	$52,601
28	Port Saint Lucie	FL	35%	52%	3,902	163,748	36%	$49,236
29	Stockton	CA	35%	55%	2,234	292,262	54%	$47,246
30	Chicago	IL	34%	28%	22,842	2,702,471	62%	$47,408
31	Tucson	AZ	34%	34%	3,897	521,695	48%	$36,939

100 Cities with the Highest Incidence of Negative Equity (cont.)

Rank	City	State	Percent Of Homes Undewater	Percent Below Peak Home Prices	Homes In Default or Foreclosure 2013	Population	Percent African American and Latino	Median Household Income
32	Jersey City	NJ	34%	26%	979	248,435	55%	$58,308
33	Hialeah	FL	34%	48%	5,597	226,837	98%	$30,883
34	Lancaster	CA	33%	47%	1,405	155,496	59%	$51,719
35	San Bernardino	CA	33%	49%	1,266	210,624	76%	$39,097
36	Memphis	TN	33%	25%	3,242	651,050	70%	$36,817
37	Allentown	PA	33%	28%	1,313	117,942	57%	$35,549
38	Miramar	FL	33%	42%	N/A	121,447	84%	$63,898
39	Akron	OH	33%	25%	3,305	199,955	36%	$33,598
40	Palmdale	CA	32%	49%	1,287	151,841	71%	$54,277
41	Baltimore	MD	32%	22%	6,523	620,644	69%	$40,803
42	Birmingham	AL	32%	16%	2,105	213,180	77%	$31,467
43	Augusta	GA	32%	17%	917	195,646	61%	$38,714
44	Saint Louis	MO	31%	23%	4,511	318,527	54%	$34,384
45	Tacoma	WA	31%	27%	3,021	200,013	26%	$50,439
46	Orlando	FL	31%	47%	11,520	240,185	56%	$42,418
47	Visalia	CA	31%	41%	695	123,905	48%	$53,718
48	Columbus	OH	31%	19%	7,316	790,168	35%	$43,992
49	Fresno	CA	31%	44%	2,589	495,777	56%	$42,276
50	Henderson	NV	31%	41%	2,766	258,270	21%	$66,141
51	Tampa	FL	30%	39%	10,521	339,391	51%	$43,514
52	Brandon	FL	30%	36%	1,154	102,555	41%	$54,904
53	Savannah	GA	30%	20%	1,228	137,690	61%	$34,888
54	Springfield	MA	30%	19%	443	153,278	64%	$35,163
55	Moreno Valley	CA	30%	45%	1,160	193,758	74%	$55,872
56	Fayetteville	NC	30%	7%	757	200,439	54%	$44,756
57	Tallahassee	FL	30%	23%	2,049	181,821	42%	$39,649
58	Gainesville	FL	29%	30%	1,305	124,981	34%	$32,145
59	New Haven	CT	29%	26%	687	129,898	63%	$38,482
60	Independence	MO	29%	16%	797	116,513	16%	$44,847
61	Kent	WA	29%	27%	1,046	108,700	30%	$58,477
62	Modesto	CA	29%	49%	1,302	201,986	42%	$49,205
63	Fairfield	CA	29%	43%	552	105,407	44%	$66,363
64	Bakersfield	CA	29%	41%	2,399	347,091	55%	$54,265
65	Antioch	CA	29%	47%	807	102,575	53%	$65,494
66	Richmond	CA	28%	48%	468	104,225	67%	$54,657